

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Littlefield Township	County Emmet
Fiscal Year End March 31, 2006	Opinion Date September 13, 2006	Date Audit Report Submitted to State October 6, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

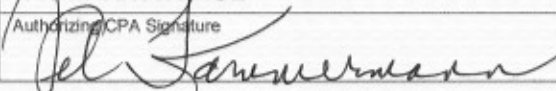
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) MASON & KAMMERMAN, P.C.		Telephone Number (231) 547-4911	
Street Address 110 PARK AVENUE		City CHARLEVOIX	State MI
Authorized CPA Signature 		Printed Name VEL KAMMERMAN	Zip 49720
		License Number 1101012482	

LITTLEFIELD TOWNSHIP
EMMET COUNTY, MICHIGAN

FINANCIAL STATEMENTS
AND OTHER FINANCIAL INFORMATION
for the year ended March 31, 2006

MASON & KAMMERMAN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
CHARLEVOIX, MICHIGAN

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MASON & KAMMERMANN, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
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September 13, 2006

INDEPENDENT AUDITOR'S REPORT

To the Township Board
of Littlefield Township

We have audited the accompanying general purpose financial statements of Littlefield Township as of and for the year ended March 31, 2006, as listed in the table of contents. These general purpose financial statements are the responsibility of Littlefield Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects the financial position of Littlefield Township as of March 31, 2006, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements and schedules listed in the table of contents, are presented for purposes of additional analysis and is not a required part of the general purpose financial statements of Littlefield Township. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects, in relation to the general purpose financial statements taken as a whole.

Mason & Hammerman, P.C.

LITTLEFIELD TOWNSHIP
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 for the year ended March 31, 2006

	GOVERNMENTAL FUND TYPES		PROPRIETARY FUND TYPE
	GENERAL	SPECIAL REVENUE	ENTERPRISE
ASSETS			
Cash and cash equivalents	\$ 116,706	\$ 102,013	\$ 30,513
Investments	505,981	-	258,118
Taxes receivable	32,418	14,363	-
Accounts receivable	-	-	61,376
Tap in fees receivable	-	-	27,944
Due from other funds	68	-	-
Due from other governmental units	24,389	-	22,247
General fixed assets	-	-	-
Amount to be provided for retirement of long-term debt	-	-	-
Total assets	<u>\$ 679,562</u>	<u>\$ 116,376</u>	<u>\$ 400,198</u>
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Accounts payable	\$ 5,282	\$ -	\$ -
Due to other funds	-	-	-
Due to other governmental units	-	-	-
Contract payable	-	-	-
Total liabilities	5,282	-	-
FUND EQUITY			
Investment in general fixed assets	-	-	-
Retained earnings	-	-	400,198
Fund Balances			
Reserved for replacement sewer lines	-	-	-
Unreserved			
Designated for cemetery expansion	26,436	-	-
Undesignated	<u>647,844</u>	<u>116,376</u>	<u>-</u>
Total fund equity	<u>674,280</u>	<u>116,376</u>	<u>400,198</u>
Total liabilities and fund equity	<u>\$ 679,562</u>	<u>\$ 116,376</u>	<u>\$ 400,198</u>

The accompanying notes are a part of the financial statements.

FIDUCIARY FUND TYPE	ACCOUNT GROUPS		TOTAL (MEMORANDUM ONLY)
	GENERAL FIXED ASSETS	GENERAL LONG-TERM DEBT	
TRUST AND AGENCY			
\$ 484	\$ -	\$ -	\$ 249,716
18,450	-	-	782,549
-	-	-	46,781
-	-	-	61,376
-	-	-	27,944
-	-	-	68
-	-	-	46,636
-	1,144,862	-	1,144,862
	-	1,295,372	1,295,372
<u>\$ 18,934</u>	<u>\$1,144,862</u>	<u>\$1,295,372</u>	<u>\$3,655,304</u>
\$ -	\$ -	\$ -	\$ 5,282
68	-	-	68
416	-	-	416
-	-	1,295,372	1,295,372
484	-	1,295,372	1,301,138
-	1,144,862	-	1,144,862
-	-	-	400,198
18,450	-	-	18,450
-	-	-	26,436
-	-	-	764,220
<u>18,450</u>	<u>1,144,862</u>	<u>-</u>	<u>2,354,166</u>
<u>\$ 18,934</u>	<u>\$1,144,862</u>	<u>\$1,295,372</u>	<u>\$3,655,304</u>

LITTLEFIELD TOWNSHIP

COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND

for the year ended March 31, 2006

	<u>GOVERNMENTAL FUND TYPES</u>		<u>FIDUCIARY FUND TYPE</u>	<u>TOTAL</u>
	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>EXPENDABLE TRUST FUND</u>	<u>(MEMORANDUM ONLY)</u>
Revenues:				
Taxes	\$ 203,632	\$ 105,113	\$ -	\$ 308,745
State shared revenue	134,940	-	-	134,940
Contributions from local units	16,607	13,892	-	30,499
Charges for services	36,938	-	-	36,938
Interest	23,576	952	558	25,086
Other	<u>8,041</u>	<u>103,967</u>	<u>-</u>	<u>112,008</u>
Total revenues	423,734	223,924	558	648,216
Expenditures:				
Legislative	33,857	-	-	33,857
General government	122,660	-	-	122,660
Public safety	1,040	48,827	-	49,867
Public works	243,490	7,706	-	251,196
Library	1,500	-	-	1,500
Insurance Bonds	7,422	-	-	7,422
Capital outlay	<u>84,058</u>	<u>167,645</u>	<u>-</u>	<u>251,703</u>
Total expenditures	<u>494,027</u>	<u>224,178</u>	<u>-</u>	<u>718,205</u>
Excess (deficiency) of revenues over expenditures	(70,293)	(254)	558	(69,989)
Fund balances, April 1, 2005	<u>744,573</u>	<u>116,630</u>	<u>17,892</u>	<u>879,095</u>
Fund Balances, March 31, 2006	<u>\$ 674,280</u>	<u>\$ 116,376</u>	<u>\$ 18,450</u>	<u>\$ 809,106</u>

The accompanying notes are a part of the financial statements.

LITTLEFIELD TOWNSHIP

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUNDS

for the year ended March 31, 2006

	GENERAL FUND		
	BUDGET	ACTUAL	OVER / (UNDER) BUDGET
Revenues:			
Taxes	\$ 203,165	\$ 203,632	\$ 467
State shared revenue	135,580	134,940	(640)
Contributions from local units	16,100	16,607	507
Charges for services	35,000	36,938	1,938
Interest	6,157	23,576	17,419
Other	<u>8,200</u>	<u>8,041</u>	<u>(159)</u>
Total revenues	404,202	423,734	19,532
Expenditures:			
Legislative	48,400	33,857	(14,543)
General government	167,333	122,660	(44,673)
Public safety	1,400	1,040	(360)
Public works	254,500	243,490	(11,010)
Library	1,500	1,500	-
Insurance and bonds	7,808	7,422	(386)
Capital outlay	<u>50,437</u>	<u>84,058</u>	<u>33,621</u>
Total expenditures	<u>531,378</u>	<u>494,027</u>	<u>(37,351)</u>
Revenues over (under) expenditures	(127,176)	(70,293)	56,883
Fund Balances, April 1, 2005	<u>745,571</u>	<u>744,573</u>	<u>(998)</u>
Fund Balances, March 31, 2006	<u>\$ 618,395</u>	<u>\$ 674,280</u>	<u>\$ 55,885</u>

The accompanying notes are a part of the financial statements.

<u>SPECIAL REVENUE FUND</u>		
<u>BUDGET</u>	<u>ACTUAL</u>	<u>OVER / (UNDER)</u> <u>BUDGET</u>
\$ 97,801	\$ 105,113	\$ 7,312
-	-	-
13,900	13,892	(8)
-	-	-
275	952	677
<u>-</u>	<u>103,967</u>	<u>103,967</u>
111,976	223,924	111,948
-	-	-
-	-	-
73,951	48,827	(25,124)
8,000	7,706	(294)
-	-	-
-	-	-
<u>63,204</u>	<u>167,645</u>	<u>104,441</u>
<u>145,155</u>	<u>224,178</u>	<u>79,023</u>
(33,179)	(254)	32,925
<u>41,528</u>	<u>116,630</u>	<u>75,102</u>
<u>\$ 8,349</u>	<u>\$ 116,376</u>	<u>\$ 108,027</u>

LITTLEFIELD TOWNSHIP
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN RETAINED EARNINGS
PROPRIETARY FUND TYPE
for the year ended March 31, 2006

	ENTERPRISE FUND
Operating revenues:	
Charges for services	\$ 154,561
Tap in fees	13,500
Interest and penalties	<u>7,948</u>
Total operating revenues	176,009
Operating expenses:	
Salaries and wages	3,594
Contracted services	141,011
Supplies	<u>661</u>
Total operating expenses	<u>145,266</u>
Net operating income	30,743
Non-operating revenues (expenses)	
Interest income	12,158
User charges for assessment payments	91,646
Harbor Springs Area Sewer Disposal Authority assessments	<u>(134,453)</u>
Total non-operating expenses	<u>(30,649)</u>
Net income	94
Retained earnings, April 1, 2005	<u>400,104</u>
Retained earnings, March 31, 2006	<u><u>\$ 400,198</u></u>

The accompanying notes are a part of the financial statements.

LITTLEFIELD TOWNSHIP

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE

for the year ended March 31, 2006

		ENTERPRISE FUND
Operating income		\$ 30,743
Adjustments to reconcile income to net cash provided by operating activities:		
Changes in operating assets and liabilities:		
Accounts receivable	\$ 4,189	
Due from other governmental units	<u>2,941</u>	
Total adjustments		<u>7,130</u>
Net cash provided by operating activities		37,873
Cash flows from non-capital financing activities:		
User charges for assessment payments	91,646	
Harbor Springs Area Sewer Disposal Authority assessments	<u>(134,453)</u>	
Net cash used in non-capital financing activities		(42,807)
Cash flows from investing activities:		
Interest income	12,158	
Purchase of investments	<u>(12,731)</u>	
Net cash used in investing activities		<u>(573)</u>
Net decrease in cash and cash equivalents		(5,507)
Cash and cash equivalents, April 1, 2005		<u>36,020</u>
Cash and cash equivalents, March 31, 2006		<u>\$ 30,513</u>

The accompanying notes are a part of the financial statements.

LITTLEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2006

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Littlefield Township conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Following is a summary of the significant policies:

Financial Reporting Entity

The Township has followed the guidelines established by generally accepted accounting principles and has determined that no entities should be consolidated into its general purpose financial statements as component units. The criteria for including a component unit includes significant financial or operational relationships. Therefore, the reporting entity consists of the primary government financial statements only.

Governmental Funds

General Fund

The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Fund

Enterprise Fund

The Enterprise Fund is used to account for operations that provide services to citizens, financed primarily by user charges, or activities where the periodic measurement of net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Sewer Fund is the only Enterprise Fund of the Township.

LITTLEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2006

Fiduciary Funds

Trust and Agency Funds

Trust and Agency Funds are used to account for assets held by the Township in a trustee or agency capacity for individuals, private organizations, other governments, and/or other funds. These include an Expandable Trust Fund, and an Agency Fund.

Account Groups

General Fixed Asset Account Group

This account group presents the fixed assets of the Township utilized in its general operations (non-proprietary fixed assets).

General Long-Term Debt Account Group

This account group is used to account for all long-term obligations of the Township, except those accounted for in proprietary funds.

Total Columns on Combined Statements

Total columns on the general purpose financial statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the general purpose financial statements. The basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

LITTLEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2006

Basis of Accounting Continued:

All governmental, expendable trust and agency funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Significant revenues susceptible to accrual include payments in lieu of taxes, state sources and intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred with certain exceptions such as interest on long-term debt which is generally recognized when due.

All governmental funds and the expendable trust fund are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measurement of "available spendable resources". Governmental fund operating statements present increases (revenues) and decreases (expenditures) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

The Proprietary Fund is accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recognized when incurred.

The Proprietary Fund is accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. The Proprietary Fund operating statement presents increases (revenues) and decreases (expenses) in net total assets.

The Township has elected to apply Governmental Accounting Standards Board Statement No. 20, paragraph 7, which allows the Township to apply only those Financial Accounting Standards Board pronouncements issued before November 30, 1989 to the Township's proprietary fund.

Budget and Budgetary Accounting

Budgets for the General Fund and Special Revenue Funds are adopted and amended on a basis consistent with accounting principles generally accepted in the United State of America. Appropriations are approved by the Township Board on a fund level basis; however, the budgets are shown on the functional level basis.

LITTLEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2006

Encumbrances

The Township does not formally record encumbrances in the accounting records during the year as a normal practice. Appropriations lapse at year end and amounts are reappropriated for expenditures to be incurred in the next fiscal year.

Cash and Investments

Cash and cash equivalents consist of demand deposits and savings accounts.

Investments consist of certificates of deposit with original maturities of greater than three months, and certain savings accounts held for investment purposes.

The Governmental Accounting Standards Board Statement No. 3 risk disclosure for the Township's cash deposits are as follows:

Insured (FDIC)	\$ 794,628
Uninsured	<u>237,637</u>
	<u>\$1,032,265</u>

Long-term Debt

Long-term obligations of the Township are reported in the general long-term debt account group.

Reserves and Designations

Reserves and designations represent those portions of fund equity that cannot be appropriated for expenditure or are legally segregated for a specific future use.

General Fixed Assets

General fixed assets purchased are recorded as expenditures in all funds, except the enterprise fund, at the time of purchase. Such assets are capitalized at cost in the general fixed asset account group except for certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. No depreciation has been provided on general fixed assets.

LITTLEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2006

Property Taxes

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 and are added to the Emmet County tax rolls after February 28.

The delinquent real property taxes of the Township are purchased by Emmet County. The County intends to sell tax notes, the proceeds of which will be used to pay the Township for the property taxes. These taxes have been recorded as revenue in the current year.

Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to Township employees; and natural disasters for which it obtains coverage from commercial insurance companies. The Township has had no settled claims resulting from these risks that exceeded commercial coverage in any of the past three years.

Statutory Authority

The Township is authorized by Michigan law to invest surplus funds in the following:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- c. Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and maturing not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.
- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase, are rated as investment grade by at least one standard rating service.

LITTLEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2006

Statutory Authority Continued:

- f. Mutual funds, registered under the Investment Company Act of 1940, with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. In the body of the financial statements, the Township's actual expenditures and budgetary fund have been shown on a functional basis. The approved budgets of the Township for these budgetary funds were adopted at the fund level.

During the year ended March 31, 2006, the Township incurred expenditures in certain budgetary funds that were in excess of the amounts appropriated as follows:

	<u>Total</u> <u>Appropriations</u>	<u>Amount of</u> <u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
Special Revenue Fund			
- Fire Board	\$137,155	\$216,472	\$79,317

3. FIXED ASSETS

The components of the General Fixed Asset Account Group at March 31, 2006, are summarized below.

	<u>BALANCE</u> <u>4/01/05</u>	<u>ADDITIONS</u>	<u>BALANCE</u> <u>3/31/06</u>
Land	\$ 321,365	\$ -	\$ 321,365
Land improvements	6,256	-	6,256
Building	72,500	43,638	116,138
Equipment	<u>493,038</u>	<u>208,065</u>	<u>701,103</u>
	<u>\$ 893,159</u>	<u>\$ 251,703</u>	<u>\$1,144,862</u>

LITTLEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2006

4. LONG-TERM DEBT

A summary of long-term obligations and changes therein for the year ended March 31, 2006 is as follows:

Long-Term Debt Account Group

	Balance 4/01/05	Principal Payments	Balance 3/31/06
Contract payable to Harbor Springs Area Sewage Disposal Authority; Due in annual installments varying from \$70,373 to \$84,838 including interest charged at 2.5%, matures April, 2023.	\$1,213,355	\$ (53,567)	\$1,159,788
Contract payable to Harbor Springs Area Sewage Disposal Authority; Due in annual installments varying from \$46,042 TO \$48,245 including interest ranging from 3.125 to 3.75 percent, maturing January, 2009.	\$ 180,778	\$ (45,194)	\$ 135,584
	<u>\$1,394,133</u>	<u>\$ (98,761)</u>	<u>\$1,295,372</u>

The Sewage Authority contract payment in the amount of \$53,567 represents the Township's contractual share (23.29%) of the 2002 Wastewater Treatment Facility Bonds. The bonds were issued by the Harbor Springs Area Sewage Disposal Authority under Act No. 233 and are secured by the full faith and credit pledges of the participating units of government. The Authority retains title to the sewage disposal system. The Township is repaying the contractual debt by assessing a user charge on sewer bills. Contractual payments and user charges are recorded in the Sewage Disposal Enterprise Fund.

The Sewage Authority contract payment in the amount of \$45,194 represents the Township's contractual share (53.17%) of the 1974 Sewage Disposal System Bonds. The bonds were issued by the Harbor Springs Area Sewage Disposal Authority under Act No. 233 and are secured by the full faith and credit pledges of the participating units of government. The Authority retains title to the sewage disposal system. The Township is repaying the contractual debt by assessing a user charge on sewer bills. Contractual payments and user charges are recorded in the Sewage Disposal Enterprise Fund.

Interest expense for the year ended March 31, 2006 was \$35,563.

LITTLEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2006

Long-Term Debt Account Group Continued:

Maturities of long-term obligations for each of the years succeeding March 31, 2006, including interest of \$287,778, are as follows:

2007	\$ 134,774
2008	133,129
2009	131,285
2010	84,105
2011	84,949
2012 - 2014	253,624
2015 - 2019	423,230
2020 - 2024	<u>338,054</u>
Total	<u>\$1,583,150</u>

5. DEFINED CONTRIBUTION PENSION PLAN

The Township contributes to the Littlefield Township Group Plan (the "Plan"), which is a defined contribution pension plan established by Littlefield Township and administered and maintained through a life insurance company. The Plan is available to elected officials of the Township. Currently five officials participate in the Plan.

Contributions made by the officials and the Township vest immediately. An official who leaves the employment of the Township is entitled to his or her contributions and the Township's contributions, plus interest earned. The Plan requires the Township to match 6 percent of the official's salary.

During the Plan year, the Township's actual contributions were \$2,310, which was 6 percent of the Township's covered payroll. Plan provisions and contributions requirements are established and may be amended by the Township Board.

6. JOINT VENTURE

Under authorization of state statutes, the Township joined the Village of Alanson to establish the Littlefield Alanson Management Authority (the "Authority"). Although the Authority is legally separate from the Township and the Village of Alanson, it was created for the construction and maintenance of a community building for both governments. The building was financed by the issuance of general obligation bonds, which have been retired. Ownership of the building has reverted from the Authority to the joint property of the Village of Alanson and Littlefield Township. The Authority presently maintains the Community Building and invoices the Village of Alanson and Littlefield Township for operating and maintenance costs.

LITTLEFIELD TOWNSHIP

NOTES TO FINANCIAL STATEMENTS

for the year ended March 31, 2006

JOINT VENTURE CONTINUED:

The Township and Village each appoint one member of the two member board to operate the Authority. The Township contributed one-half of the Authority's annual subsidy.

The following financial information has been obtained from the Authority's audited financial statements as of December 31, 2003:

	Littlefield Alanson Management <u>Authority</u>	Littlefield Township's <u>Portion</u>
Total assets	\$14,936	\$7,468
Total equity	14,281	7,140
Revenues	5,198	2,599
Transfers from the Village and Township	17,000	8,500
Expenditures	18,026	9,013
Net increase in fund balances	4,172	2,086

LITTLEFIELD TOWNSHIP

SCHEDULE OF EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND

for the year ended March 31, 2006

	<u>BUDGET</u>	<u>ACTUAL</u>	<u>OVER/ (UNDER)</u> <u>BUDGET</u>
Legislative			
Township Board	\$ 48,400	\$ 33,857	\$ (14,543)
General Government			
Supervisor	8,450	8,296	(154)
Elections	2,300	-	(2,300)
Assessor	33,900	33,754	(146)
Clerk	13,250	11,515	(1,735)
Board of Review	650	612	(38)
Treasurer	25,600	23,924	(1,676)
Cemetery	5,250	5,150	(100)
Township Hall	29,800	29,799	(1)
Other	4,633	5,015	382
Legal and audit	<u>43,500</u>	<u>4,595</u>	<u>(38,905)</u>
Total general government	<u>167,333</u>	<u>122,660</u>	<u>(44,673)</u>
Public safety			
Zoning	1,400	1,040	(360)
Fire protection	<u>-</u>	<u>-</u>	<u>-</u>
Total public safety	<u>1,400</u>	<u>1,040</u>	<u>(360)</u>
Public works			
Highways and streets	<u>254,500</u>	<u>243,490</u>	<u>(11,010)</u>
Library	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Insurance bonds	<u>7,808</u>	<u>7,422</u>	<u>(386)</u>
Capital outlay	<u>50,437</u>	<u>84,058</u>	<u>33,621</u>
Total expenditures	<u>\$ 531,378</u>	<u>\$ 494,027</u>	<u>\$ (37,351)</u>

LITTLEFIELD TOWNSHIP
COMBINING BALANCE SHEET
SPECIAL REVENUE FUNDS

MARCH 31, 2006

	<u>Oden Light Fund</u>	<u>Fire Board Fund</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 8,920	\$ 93,093	\$ 102,013
Taxes receivable	<u>815</u>	<u>13,548</u>	<u>14,363</u>
Total Assets	<u>\$ 9,735</u>	<u>\$ 106,641</u>	<u>\$ 116,376</u>
Fund Balance			
Fund balance	<u>\$ 9,735</u>	<u>\$ 106,641</u>	<u>\$ 116,376</u>

LITTLEFIELD TOWNSHIP

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
SPECIAL REVENUE FUNDS

for the year ended March 31, 2006

	<u>Oden Light Fund</u>	<u>Fire Board Fund</u>	<u>Total</u>
Revenues			
Taxes	\$ 9,104	\$ 96,009	\$ 105,113
Contributions from local units	-	13,892	13,892
Grants	-	103,624	103,624
Interest	13	939	952
Other	<u>-</u>	<u>343</u>	<u>343</u>
Total Revenues	9,117	214,807	223,924
Expenditures			
Public safety	-	48,827	48,827
Public works	7,706	-	7,706
Capital outlay	<u>-</u>	<u>167,645</u>	<u>167,645</u>
Total Expenditures	<u>7,706</u>	<u>216,472</u>	<u>224,178</u>
Revenues over (under) expenditures	1,411	(1,665)	(254)
Fund balances, April 1, 2005	<u>8,324</u>	<u>108,306</u>	<u>116,630</u>
Fund balances, March 31, 2006	<u><u>\$ 9,735</u></u>	<u><u>\$ 106,641</u></u>	<u><u>\$ 116,376</u></u>

LITTLEFIELD TOWNSHIP
COMBINING BALANCE SHEET
FIDUCIARY FUNDS

MARCH 31, 2006

	<u>Expendable Trust Fund</u>	<u>Agency Fund</u>	
	<u>Pickeral Lake Properties</u>	<u>Tax Collection</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ -	\$ 484	\$ 484
Investments	<u>18,450</u>	<u>-</u>	<u>18,450</u>
Total Assets	<u>\$ 18,450</u>	<u>\$ 484</u>	<u>\$ 18,934</u>
Liabilities and fund balances			
Liabilities			
Due to other funds	\$ -	\$ 68	\$ 68
Due to other governmental units	<u>-</u>	<u>416</u>	<u>416</u>
Total liabilities	-	484	484
Fund balance			
Reserved for replacement of sewer lines	<u>18,450</u>	<u>-</u>	<u>18,450</u>
Total liabilities and fund balance	<u>\$ 18,450</u>	<u>\$ 484</u>	<u>\$ 18,934</u>

MASON & KAMMERMANN, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

HUGH E. MASON
VELDA K. KAMMERMANN

110 Park Avenue
Charlevoix, Michigan 49720
Telephone (231) 547-4911
Facsimile (231) 547-5911

September 13, 2006

To the Board of Trustees of
Littlefield Township:

We have audited the financial statements of Littlefield Township for the year ended March 31, 2006, and have issued our report thereon dated September 13, 2006. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 16, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of Littlefield Township. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Littlefield Township are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. We noted no transactions entered into by Littlefield Township during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

Audit Adjustments

For purpose of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Littlefield Township's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Littlefield Township, either individually or in the aggregate, indicate matters that could have a significant effect on the Littlefield Township's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Littlefield Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

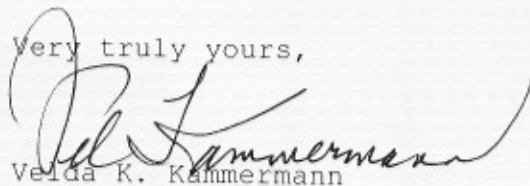
Littlefield Township
September 13, 2006
Page 3

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

This information is intended solely for the use of the Board of Trustees and management of Littlefield Township and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'Velda K. Kammermann', with a long, sweeping horizontal line extending to the right.

Velda K. Kammermann

VKK/vmp

enc.